

**REPORT OF THE AUDIT OF THE
RUSSELL COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2015**



**MIKE HARMON
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EXECUTIVE SUMMARY
AUDIT OF THE
RUSSELL COUNTY FISCAL COURT

June 30, 2015

The Auditor of Public Accounts has completed the audit of the Russell County Fiscal Court for fiscal year ended June 30, 2015.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Russell County Fiscal Court.

Financial Condition:

The Russell County Fiscal Court had total receipts of \$8,039,878 and disbursements of \$7,558,275 in fiscal year 2015. This resulted in a total ending fund balance of \$3,110,275, which is an increase of \$481,603 from the prior year.

Report Comments:

2015-001	The Fiscal Court Had Weak Internal Controls Over Leave Records
2015-002	The Fiscal Court Did Not Follow Their Purchase And Procurement Procedures
2015-003	The Fiscal Court Approved Use Of Federal Grant Funds To Purchase Gift Cards
2015-004	Jail Commissary Year-End Statements Were Not Prepared In Accordance With Reporting Requirements And Were Not Accurate

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

Honorable Gary D. Robertson, Russell County Judge/Executive

Members of the Russell County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Russell County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Russell County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.



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Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1 of the financial statement, the financial statement is prepared by Russell County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Russell County Fiscal Court as of June 30, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Russell County Fiscal Court as of June 30, 2015, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Russell County Fiscal Court. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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Other Matters (Continued)

Supplementary Information (Continued)

The accompanying budgetary comparison schedules and capital asset schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the financial statement as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016 on our consideration of the Russell County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Russell County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2015-001 The Fiscal Court Had Weak Internal Controls Over Leave Records
- 2015-002 The Fiscal Court Did Not Follow Their Purchase And Procurement Procedures
- 2015-003 The Fiscal Court Approved Use Of Federal Grant Funds To Purchase Gift Cards
- 2015-004 Jail Commissary Year-End Statements Were Not Prepared In Accordance With Reporting Requirements And Were Not Accurate

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

March 11, 2016

RUSSELL COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Gary D. Robertson	County Judge/Executive
Terry Waddell	Magistrate
Patrick Loy	Magistrate
Ronald Johnson	Magistrate
Steve Richardson	Magistrate
Larry Holt	Magistrate

Other Elected Officials:

Kevin Shearer	County Attorney
Bobby Dunbar	Jailer
Sue Brockman	County Clerk
Tony Kerr	Circuit Court Clerk
Clete McAninch	Sheriff
Tim Popplewell	Property Valuation Administrator
Michael Reynolds	Coroner

Appointed Personnel:

Christopher Ramsey	Deputy County Judge/Executive
Kim Fenske	Treasurer
Bobbie Garner	Occupational Tax Administrator
Lesley Barger	Administrative Assistant

RUSSELL COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2015

RUSSELL COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2015

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 2,434,186	\$	\$
In Lieu Tax Payments	147,935		
Excess Fees	138,066		
Licenses and Permits	3,032		
Intergovernmental	434,094	2,037,809	790,366
Charges for Services		427	79,771
Miscellaneous	322,586	14,404	57,792
Interest	1,727	884	670
Total Receipts	<u>3,481,626</u>	<u>2,053,524</u>	<u>928,599</u>
DISBURSEMENTS			
General Government	990,140		
Protection to Persons and Property	101,356		1,122,018
General Health and Sanitation	269,028		
Social Services	13,565		
Recreation and Culture	64,364		
Roads		1,777,522	
Airports			
Debt Service	40,923		370,906
Capital Projects			
Administration	714,483	114,286	370,944
Total Disbursements	<u>2,193,859</u>	<u>1,891,808</u>	<u>1,863,868</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,287,767</u>	<u>161,716</u>	<u>(935,269)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		2,018	1,100,399
Transfers To Other Funds	(1,173,892)		
Total Other Adjustments to Cash (Uses)	<u>(1,173,892)</u>	<u>2,018</u>	<u>1,100,399</u>
Net Change in Fund Balance	113,875	163,734	165,130
Fund Balance - Beginning	1,907,003	323,586	167,303
Fund Balance - Ending	<u>\$ 2,020,878</u>	<u>\$ 487,320</u>	<u>\$ 332,433</u>
Composition of Fund Balance			
Bank Balance	\$ 2,071,669	\$ 519,053	\$ 385,091
Plus: Deposits In Transit			
Less: Outstanding Checks	<u>(50,791)</u>	<u>(31,733)</u>	<u>(52,658)</u>
Fund Balance - Ending	<u>\$ 2,020,878</u>	<u>\$ 487,320</u>	<u>\$ 332,433</u>

The accompanying notes are an integral part of the financial statement.

RUSSELL COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

Budgeted Funds						
Local Government Economic Assistance Fund	Alcohol Substance Abuse Program Fund	Grants Fund	Tourism Fund	Dispatch Fund	Airport Fund	Airport Project Fund
\$	\$	\$	\$ 93,968	\$ 106,915	\$	\$
5,490	13,000	10,000		75,000		109,852
104	1,517			308	32,683	
2			7	109	30	79
<u>5,596</u>	<u>14,517</u>	<u>10,000</u>	<u>93,975</u>	<u>182,332</u>	<u>32,713</u>	<u>109,931</u>
8,037		10,000		207,139		
	13,795		92,793		33,727	
		1,475		63,248	4,580	94,335
<u>8,037</u>	<u>13,795</u>	<u>11,475</u>	<u>92,793</u>	<u>270,387</u>	<u>38,307</u>	<u>94,335</u>
<u>(2,441)</u>	<u>722</u>	<u>(1,475)</u>	<u>1,182</u>	<u>(88,055)</u>	<u>(5,594)</u>	<u>15,596</u>
2,800	11,117	1,475		92,200		(32,755)
<u>2,800</u>	<u>11,117</u>	<u>1,475</u>		<u>92,200</u>		<u>(32,755)</u>
359	11,839		1,182	4,145	(5,594)	(17,159)
1,168	38,254		9,702	78,222	34,133	33,777
<u>\$ 1,527</u>	<u>\$ 50,093</u>	<u>\$ 0</u>	<u>\$ 10,884</u>	<u>\$ 82,367</u>	<u>\$ 28,539</u>	<u>\$ 16,618</u>
\$ 1,852	\$ 51,583	\$ 1,225	\$ 10,884	\$ 84,698	\$ 28,614	\$ 26,385
<u>(325)</u>	<u>(1,490)</u>	<u>(1,225)</u>		<u>(2,331)</u>	<u>(75)</u>	<u>(9,767)</u>
<u>\$ 1,527</u>	<u>\$ 50,093</u>	<u>\$ 0</u>	<u>\$ 10,884</u>	<u>\$ 82,367</u>	<u>\$ 28,539</u>	<u>\$ 16,618</u>

The accompanying notes are an integral part of the financial statement.

RUSSELL COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

	Budgeted Funds		
	Drug Free Community Fund	Airport Board Fund	Health Resources Services Administration Fund
RECEIPTS			
Taxes	\$	\$	\$
In Lieu Tax Payments			
Excess Fees			
Licenses and Permits			
Intergovernmental	56,000		32,594
Charges for Services			
Miscellaneous	43	26,624	
Interest		5	
Total Receipts	<u>56,043</u>	<u>26,629</u>	<u>32,594</u>
DISBURSEMENTS			
General Government			
Protection to Persons and Property			
General Health and Sanitation			
Social Services	45,250		20,973
Recreation and Culture			
Roads			
Airports		46,303	
Debt Service			
Capital Projects			
Administration			
Total Disbursements	<u>45,250</u>	<u>46,303</u>	<u>20,973</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>10,793</u>	<u>(19,674)</u>	<u>11,621</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		32,755	
Transfers To Other Funds			(11,117)
Total Other Adjustments to Cash (Uses)		<u>32,755</u>	<u>(11,117)</u>
Net Change in Fund Balance	10,793	13,081	504
Fund Balance - Beginning	1,309		
Fund Balance - Ending	<u>\$ 12,102</u>	<u>\$ 13,081</u>	<u>\$ 504</u>
Composition of Fund Balance			
Bank Balance	\$ 12,102	\$ 13,081	\$ 504
Deposits In Transit			
Less Outstanding Checks			
Ending Fund Balance	<u>\$ 12,102</u>	<u>\$ 13,081</u>	<u>\$ 504</u>

The accompanying notes are an integral part of the financial statement.

RUSSELL COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

Unbudgeted Funds		
Public Properties Corporation Fund	Jail Commissary Fund	Total Funds
\$	\$	\$ 2,635,069
		147,935
		138,066
		3,032
862,945		4,427,150
		80,198
	148,854	604,915
		3,513
<u>862,945</u>	<u>148,854</u>	<u>8,039,878</u>
		1,008,177
		1,430,513
		269,028
		93,583
	104,140	261,297
		1,777,522
		80,030
860,745		1,272,574
		95,810
<u>2,200</u>		<u>1,269,741</u>
<u>862,945</u>	<u>104,140</u>	<u>7,558,275</u>
	44,714	481,603
		1,242,764
	(25,000)	(1,242,764)
	(25,000)	
	19,714	481,603
	34,215	2,628,672
<u>\$ 0</u>	<u>\$ 53,929</u>	<u>\$ 3,110,275</u>
\$	\$ 53,698	\$ 3,260,439
	1,807	1,807
	(1,576)	(151,971)
<u>\$ 0</u>	<u>\$ 53,929</u>	<u>\$ 3,110,275</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Russell County includes all budgeted and unbudgeted funds under the control of the Russell County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

The Russell County Tourism Commission would have been included in the reporting entity under accounting principles generally accepted in the United State of America (GAAP) as established by the Government Accounting Standards Board. However under the regulatory basis they are no longer are required components of the reporting entity.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Alcohol Substance Abuse Program Fund - The primary purpose of this fund is to account for federal receipts and disbursements in association with drug abuse prevention.

Grants Fund - The primary purpose of this fund is to account for federal receipts and disbursements.

Tourism Fund - The primary purpose of this fund is to account for tourism taxes collected and then passed through to the Tourism Commission.

Dispatch Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

Airport Fund - The primary purpose of this fund is to account for receipts and disbursements associated with the operation of airport.

Airport Project Fund - The primary purpose of this fund is to account for receipts and disbursements associated with the projects at the airport.

Drug Free Community Fund - The primary purpose of this fund is to account for receipts and disbursements associated with community drug prevention.

Airport Board Fund - The primary purpose of this fund is to account for receipts and disbursements associated with the airport board.

Health Resources Services Administration Fund - The primary purpose of this fund is to account for receipts and disbursements associated with the community's health resource services.

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The purpose of this fund is to account for debt service requirements of the revenue bond issued for the Russell County Justice Center. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of this fund.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Russell County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Russell County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Russell County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were not met, although the fiscal court had a written agreement with the bank, the agreement was not approved by the board of directors of the depository institution or its loan committee.

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2015, all deposits were covered by FDIC insurance.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2015.

	General Fund	Airport Project Fund	Health Resources Services Administration Fund	Jail Commissary Fund	Total Transfers In
Road Fund	\$ 2,018	\$	\$	\$	\$ 2,018
Jail Fund	1,075,399			25,000	1,100,399
Local Government Economic Assistance Fund	2,800				2,800
Alcohol Substance Abuse Program Fund			11,117		11,117
Grants Fund	1,475				1,475
Dispatch Fund	92,200				92,200
Airport Board Fund		32,755			32,755
Total Transfers Out	<u>\$1,173,892</u>	<u>\$ 32,755</u>	<u>\$ 11,117</u>	<u>\$ 25,000</u>	<u>\$1,242,764</u>

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Long-term Debt

A. First Mortgage Revenue Bonds, Series 2009

On November 17, 2009, the Russell County Public Properties Corporation issued First Mortgage Revenue Bonds in the amount of \$11,625,000 to retire the Bond Anticipation Notes and complete construction of the Justice Center project. Simultaneously with the issuance of the bonds, the County entered into a lease agreement with the Administrative Office of the Courts for rental payments sufficient to pay 100% of the debt service cost of the bonds. Interest rate varies from 1 to 4.2%. Principal payments are due on November 1 each year through fiscal year 2029. Interest payments are due November 1 and May 1 each year. Principal outstanding as of June 30, 2015 was \$9,200,000. Future principal and interest requirements are:

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Long-term Debt (Continued)

A. First Mortgage Revenue Bonds, Series 2009 (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 515,000	\$ 343,960
2017	535,000	328,210
2018	550,000	311,660
2019	565,000	293,813
2020	585,000	274,253
2021-2025	3,290,000	1,011,360
2026-2029	<u>3,160,000</u>	<u>280,093</u>
Totals	<u>\$ 9,200,000</u>	<u>\$ 2,843,349</u>

B. General Obligation Bonds, Series 2010

On February 10, 2010, the Russell County Fiscal Court issued General Obligation Bonds, Series 2010, in the amount of \$4,905,000 to fund the Detention Center project. Interest rate varies between 1% and 5%. Principal payments are due on December 1 each year through 2030. Interest payments are due on December 1 and June 1 each year. Principal outstanding as of June 30, 2015 was \$3,975,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 200,000	\$ 156,769
2017	210,000	150,619
2018	215,000	143,975
2019	220,000	136,631
2020	230,000	128,181
2021-2025	1,300,000	491,906
2026-2030	<u>1,600,000</u>	<u>194,272</u>
Totals	<u>\$ 3,975,000</u>	<u>\$ 1,402,353</u>

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Long-term Debt (Continued)

C. Fire Truck

On October 31, 2008, the Russell County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$186,143. The funds were used to purchase a fire truck. Interest rate varies and is paid monthly. Principal payments are due January 20 each year through fiscal year 2023. Principal outstanding as of June 30, 2015 was \$109,143. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 12,000	\$ 4,682
2017	13,000	4,152
2018	13,000	3,603
2019	13,000	3,053
2020	14,000	2,489
2021-2023	44,143	3,717
Totals	<u>\$ 109,143</u>	<u>\$ 21,696</u>

D. Detention Center Debt Lease

On November 24, 2010, the Russell County Fiscal Court entered into an agreement with the Kentucky Area Development Districts Financing Trust in the amount of \$260,000. The lease proceeds were used to pay the Russell County Detention Center General Obligation Bonds, Series 2010 principal and interest payment for November 2010. The interest rate is 4.8% and due on May 20 and November 20 each year through fiscal year 2031. One principal payment is due November 30, 2030. Principal outstanding as of June 30, 2015 was \$260,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$	\$ 13,700
2017		13,700
2018		13,700
2019		13,700
2020		13,700
2021-2025		68,500
2026-2030		68,500
2031	260,000	6,850
Totals	<u>\$ 260,000</u>	<u>\$ 212,350</u>

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Long-term Debt (Continued)

E. Sheriff Vehicles

On August 28, 2013, the Russell County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$95,875. The funds were used to purchase four sheriff vehicles. Interest rate varies and is paid monthly. Principal payments are due monthly on the 20th of the month. The final payment is scheduled for August 20, 2018. Principal outstanding as of June 30, 2015 was \$62,058. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 19,091	\$ 2,425
2017	19,554	1,548
2018	20,028	649
2019	3,385	19
Totals	<u>\$ 62,058</u>	<u>\$ 4,641</u>

F. Changes In Long-Term Debt

Long-term Debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 4,170,000	\$	\$ 195,000	\$ 3,975,000	\$ 200,000
Revenue Bonds	9,705,000		505,000	9,200,000	515,000
Financing Obligations	461,841		30,640	431,201	31,091
Total Long-term Debt	<u>\$ 14,336,841</u>	<u>\$ 0</u>	<u>\$ 730,640</u>	<u>\$ 13,606,201</u>	<u>\$ 746,091</u>

Note 5. Employee Retirement System

A. Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous positions in the county. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Employee Retirement System (Continued)

A. Plan Description (Continued)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute five percent (nonhazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$409,424, FY 2014 was \$401,749, and FY 2015 was \$380,295.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Employee Retirement System (Continued)

A. Plan Description (Continued)

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

B. Net Pension Liability

As promulgated by GASB Statements No. 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The net pension liability for employers participating in CERS was determined by an actuarial valuation as of June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Russell County's proportionate share of the net pension liability as of June 30, 2015 is:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Nonhazardous	\$ 3,439,000	\$ 3,040,000
	<u>\$ 3,439,000</u>	<u>\$ 3,040,000</u>

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph above.

Note 6. Deferred Compensation

The Russell County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 7. Insurance

For the fiscal year ended June 30, 2015, Russell County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

RUSSELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

RUSSELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,514,831	\$ 2,514,831	\$ 2,434,186	\$ (80,645)
In Lieu Tax Payments	169,338	169,338	147,935	(21,403)
Excess Fees	115,485	115,485	138,066	22,581
Licenses and Permits	3,058	3,058	3,032	(26)
Intergovernmental	206,035	206,035	434,094	228,059
Miscellaneous	230,356	230,356	322,586	92,230
Interest	1,812	1,812	1,727	(85)
Total Receipts	<u>3,240,915</u>	<u>3,240,915</u>	<u>3,481,626</u>	<u>240,711</u>
DISBURSEMENTS				
General Government	936,407	1,038,252	990,140	48,112
Protection to Persons and Property	95,030	105,636	101,356	4,280
General Health and Sanitation	281,585	313,347	269,028	44,319
Social Services	20,196	20,196	13,565	6,631
Recreation and Culture	24,265	67,190	64,364	2,826
Debt Service	39,105	41,134	40,923	211
Administration	1,470,621	1,281,454	714,483	566,971
Total Disbursements	<u>2,867,209</u>	<u>2,867,209</u>	<u>2,193,859</u>	<u>673,350</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>373,706</u>	<u>373,706</u>	<u>1,287,767</u>	<u>914,061</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(1,273,706)</u>	<u>(1,273,706)</u>	<u>(1,173,892)</u>	<u>99,814</u>
Total Other Adjustments to Cash (Uses)	<u>(1,273,706)</u>	<u>(1,273,706)</u>	<u>(1,173,892)</u>	<u>99,814</u>
Net Change in Fund Balance	(900,000)	(900,000)	113,875	1,013,875
Fund Balance Beginning	<u>900,000</u>	<u>900,000</u>	<u>1,907,003</u>	<u>1,007,003</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,020,878</u>	<u>\$ 2,020,878</u>

RUSSELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,730,681	\$ 2,187,155	\$ 2,037,809	\$ (149,346)
Charges for Services	100	100	427	327
Miscellaneous	14,025	14,025	14,404	379
Interest	900	900	884	(16)
Total Receipts	1,745,706	2,202,180	2,053,524	(148,656)
DISBURSEMENTS				
Roads	1,320,090	1,972,991	1,777,522	195,469
Capital Projects	160,000	160,000		160,000
Administration	565,616	369,189	114,286	254,903
Total Disbursements	2,045,706	2,502,180	1,891,808	610,372
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(300,000)	(300,000)	161,716	461,716
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			2,018	2,018
Total Other Adjustments to Cash (Uses)			2,018	2,018
Net Change in Fund Balance	(300,000)	(300,000)	163,734	463,734
Fund Balance Beginning	300,000	300,000	323,586	23,586
Fund Balance - Ending	\$ 0	\$ 0	\$ 487,320	\$ 487,320

RUSSELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

JAIL FUND					
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)	
	Original	Final			
RECEIPTS					
Intergovernmental	\$ 589,906	\$ 701,097	\$ 790,366	\$	89,269
Charges for Services	48,364	48,364	79,771		31,407
Miscellaneous	57,376	57,376	57,792		416
Interest	252	252	670		418
Total Receipts	695,898	807,089	928,599		121,510
DISBURSEMENTS					
Protection to Persons and Property	1,094,371	1,162,279	1,122,018		40,261
Debt Service	370,907	370,907	370,906		1
Administration	407,126	450,409	370,944		79,465
Total Disbursements	1,872,404	1,983,595	1,863,868		119,727
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)					
	(1,176,506)	(1,176,506)	(935,269)		241,237
Other Adjustments to Cash (Uses)					
Transfers From Other Funds	1,076,506	1,076,506	1,100,399		23,893
Total Other Adjustments to Cash (Uses)	1,076,506	1,076,506	1,100,399		23,893
Net Change in Fund Balance	(100,000)	(100,000)	165,130		265,130
Fund Balance Beginning	100,000	100,000	167,303		67,303
Fund Balance - Ending	\$ 0	\$ 0	\$ 332,433	\$	332,433

RUSSELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 8,616	\$ 8,616	\$ 5,490	\$ (3,126)
Miscellaneous			104	104
Interest	12	12	2	(10)
Total Receipts	8,628	8,628	5,596	(3,032)
DISBURSEMENTS				
General Government	5,783	8,078	8,037	41
Administration	4,345	2,050		2,050
Total Disbursements	10,128	10,128	8,037	2,091
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,500)	(1,500)	(2,441)	(941)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			2,800	2,800
Total Other Adjustments to Cash (Uses)			2,800	2,800
Net Change in Fund Balance	(1,500)	(1,500)	359	1,859
Fund Balance Beginning	1,500	1,500	1,168	(332)
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,527	\$ 1,527

RUSSELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

ALCOHOL SUBSTANCE ABUSE PROGRAM FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 14,500	\$ 14,500	\$ 13,000	\$ (1,500)
Miscellaneous			1,517	1,517
Total Receipts	14,500	14,500	14,517	17
DISBURSEMENTS				
Social Services	14,500	14,500	13,795	705
Administration	22,000	22,000		22,000
Total Disbursements	36,500	36,500	13,795	22,705
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(22,000)	(22,000)	722	22,722
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		8,823	11,117	2,294
Total Other Adjustments to Cash (Uses)		8,823	11,117	2,294
Net Change in Fund Balance	(22,000)	(13,177)	11,839	25,016
Fund Balance Beginning	22,000	22,000	38,254	16,254
Fund Balance - Ending	\$ 0	\$ 8,823	\$ 50,093	\$ 41,270

RUSSELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 240,000	\$ 1,250,000	\$ 10,000	\$ (1,240,000)
Total Receipts	240,000	1,250,000	10,000	(1,240,000)
DISBURSEMENTS				
General Government		1,020,000	10,000	1,010,000
Capital Projects	320,000	310,000	1,475	308,525
Total Disbursements	320,000	1,330,000	11,475	1,318,525
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(80,000)	(80,000)	(1,475)	78,525
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	80,000	80,000	1,475	(78,525)
Total Other Adjustments to Cash (Uses)	80,000	80,000	1,475	(78,525)
Net Change in Fund Balance				
Fund Balance Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

RUSSELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

TOURISM FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 91,200	\$ 91,200	\$ 93,968	\$ 2,768
Interest	6	6	7	1
Total Receipts	91,206	91,206	93,975	2,769
DISBURSEMENTS				
Recreation and Culture	127,206	127,206	92,793	34,413
Total Disbursements	127,206	127,206	92,793	34,413
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(36,000)	(36,000)	1,182	37,182
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	25,000	25,000		(25,000)
Total Other Adjustments to Cash (Uses)	25,000	25,000		(25,000)
Net Change in Fund Balance	(11,000)	(11,000)	1,182	12,182
Fund Balance Beginning	11,000	11,000	9,702	(1,298)
Fund Balance - Ending	\$ 0	\$ 0	\$ 10,884	\$ 10,884

RUSSELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

DISPATCH FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 105,031	\$ 105,031	\$ 106,915	\$ 1,884
Intergovernmental	75,000	75,000	75,000	
Miscellaneous	25	25	308	283
Interest	48	48	109	61
Total Receipts	180,104	180,104	182,332	2,228
DISBURSEMENTS				
Protection to Persons and Property	206,956	231,663	207,139	24,524
Administration	90,348	65,641	63,248	2,393
Total Disbursements	297,304	297,304	270,387	26,917
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(117,200)	(117,200)	(88,055)	29,145
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	92,200	92,200	92,200	
Total Other Adjustments to Cash (Uses)	92,200	92,200	92,200	
Net Change in Fund Balance	(25,000)	(25,000)	4,145	29,145
Fund Balance Beginning	25,000	25,000	78,222	53,222
Fund Balance - Ending	\$ 0	\$ 0	\$ 82,367	\$ 82,367

RUSSELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

AIRPORT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 37,500	\$ 37,500	\$ 32,683	\$ (4,817)
Interest	200	200	30	(170)
Total Receipts	37,700	37,700	32,713	(4,987)
DISBURSEMENTS				
Airports	27,800	35,264	33,727	1,537
Administration	9,900	4,936	4,580	356
Total Disbursements	37,700	40,200	38,307	1,893
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(2,500)	(5,594)	(3,094)
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(62,470)	(62,470)		62,470
Total Other Adjustments to Cash (Uses)	(62,470)	(62,470)		62,470
Net Change in Fund Balance	(62,470)	(64,970)	(5,594)	59,376
Fund Balance Beginning	62,470	62,470	34,133	(28,337)
Fund Balance - Ending	\$ 0	\$ (2,500)	\$ 28,539	\$ 31,039

RUSSELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

AIRPORT PROJECT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 175,000	\$ 175,000	\$ 109,852	\$ (65,148)
Interest			79	79
Total Receipts	175,000	175,000	109,931	(65,069)
DISBURSEMENTS				
Capital Projects	571,344	571,344	94,335	477,009
Administration	105,126	72,371		72,371
Total Disbursements	676,470	643,715	94,335	549,380
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(501,470)	(468,715)	15,596	484,311
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	62,470	62,470		(62,470)
Transfers To Other Funds		(32,755)	(32,755)	
Total Other Adjustments to Cash (Uses)	62,470	29,715	(32,755)	(62,470)
Net Change in Fund Balance	(439,000)	(439,000)	(17,159)	421,841
Fund Balance Beginning	439,000	439,000	33,777	(405,223)
Fund Balance - Ending	\$ 0	\$ 0	\$ 16,618	\$ 16,618

RUSSELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

DRUG FREE COMMUNITY FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 125,000	\$ 125,000	\$ 56,000	\$ (69,000)
Miscellaneous			43	43
Total Receipts	125,000	125,000	56,043	(68,957)
DISBURSEMENTS				
Social Services	125,500	125,500	45,250	80,250
Total Disbursements	125,500	125,500	45,250	80,250
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(500)	(500)	10,793	11,293
Net Change in Fund Balance	(500)	(500)	10,793	11,293
Fund Balance Beginning	500	500	1,309	809
Fund Balance - Ending	\$ 0	\$ 0	\$ 12,102	\$ 12,102

RUSSELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

AIRPORT BOARD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 16,000	\$ 26,624	\$ 10,624
Interest		50	5	(45)
Total Receipts		16,050	26,629	10,579
DISBURSEMENTS				
Airports		46,303	46,303	
Administration		2		2
Total Disbursements		46,305	46,303	2
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(30,255)	(19,674)	10,581
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		32,755	32,755	
Total Other Adjustments to Cash (Uses)		32,755	32,755	
Net Change in Fund Balance		2,500	13,081	10,581
Fund Balance Beginning				
Fund Balance - Ending	\$ 0	\$ 2,500	\$ 13,081	\$ 10,581

RUSSELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

HEALTH RESOURCES SERVICES ADMINISTRATION FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 85,000	\$ 32,594	\$ (52,406)
Total Receipts		85,000	32,594	(52,406)
DISBURSEMENTS				
Social Services		85,000	20,973	64,027
Total Disbursements		85,000	20,973	64,027
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			11,621	11,621
Other Adjustments to Cash (Uses)				
Transfers To Other Funds		(8,823)	(11,117)	(2,294)
Total Other Adjustments to Cash (Uses)		(8,823)	(11,117)	(2,294)
Net Change in Fund Balance		(8,823)	504	9,327
Fund Balance Beginning				
Fund Balance - Ending	\$ 0	\$ (8,823)	\$ 504	\$ 9,327

RUSSELL COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

RUSSELL COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015

RUSSELL COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 577,500	\$	\$	\$ 577,500
Buildings	19,047,873			19,047,873
Vehicles	1,341,422	70,998		1,412,420
Equipment	1,253,776	6,556		1,260,332
Infrastructure	8,150,820	1,165,660		9,316,480
 Total Capital Assets	 <u>\$ 30,371,391</u>	 <u>\$ 1,243,214</u>	 <u>\$ 0</u>	 <u>\$31,614,605</u>

RUSSELL COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2015

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 2,500	2-25
Vehicles	\$ 2,500	2-25
Infrastructure	\$ 20,000	10-60

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Gary D. Robertson, Russell County Judge/Executive
Members of the Russell County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards***

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Russell County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Russell County Fiscal Court's financial statement and have issued our report thereon dated March 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Russell County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Russell County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Russell County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified a certain deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2015-001 to be a material weakness.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying comments and recommendations as items 2015-002 and 2015-003 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Russell County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2015-002, 2015-003, and 2015-004.

County Judge/Executive's and County Jailer's Responses to Findings

The Russell County Judge/Executive's and County Jailer's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The County Judge/Executive and County Jailer's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

March 11, 2016

**RUSSELL COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2015

RUSSELL COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2015

FINANCIAL STATEMENT FINDINGS

2015-001 The Fiscal Court Had Weak Internal Controls Over Leave Records

The fiscal court paid a total of \$107,624 to four employees for accumulated leave time without adequate documentation to support the balances.

During the year, four county employees requested reimbursement payments from the fiscal court for their accumulated leave balances. The employees were unable to provide any formal records that reflected either the accumulation of leave time or their total balances. However, each employee stated what they believed to be their accumulated total leave balances, which were later used to calculate the payments made to them by the fiscal court.

Upon examination of each employee's personnel records, the auditor found attendance records that included detailed information regarding yearly carryover, earning, usage, and the accumulation of unused leave time up until the date that reimbursement payments were requested.

When using balances reflected in the employee's personnel files, the calculated payout for leave balances would have totaled \$36,522. This amount was \$71,102 less than what the fiscal court actually paid.

Lack of adequate internal controls and reviews of the county's payroll processes has allowed payouts for possibly inaccurate leave time balances.

The county's policy indicates that employees hired prior to 2010 can carry forward a maximum of 180 sick days and 100 sick days for any employee hired after 2010. However, the county should maintain accurate leave records and properly review all payroll processes to ensure all payouts are accurate for leave time balances maintained.

We recommend the fiscal court maintain accurate leave time records for all county employees. Additionally, we recommend the fiscal court implement stronger internal controls that would include thorough reviews over the payroll process.

County Judge/Executive's Response: In December 2014, we were informed by the office manager of the sheriff's office that in the past, during the former Sheriff's tenure as sheriff, they had not maintained records of leave balances for employees. We were also told after several years of audit and recommendations from auditors for the Sheriff to keep accurate leave balance records, the office began doing so. However, because of failure to keep the records for so many years prior to this, there was a discrepancy of leave balances when it came time for the retiring employees to retire. We were also informed by the office manager that after speaking with KY Wage and Hour personnel, that the retiring employees were entitled to the accumulated leave even though not it was not documented. The County Attorney also spoke with a KACO attorney regarding the undocumented leave time as well as KY Wage and Hour and was also informed there was a responsibility to pay the leave balances. We have attached signed affidavits from both former Sheriff's regarding the retiring employees leave time balances, which warranted the payout amount by the fiscal court. Also, attached is a letter from the County Attorney regarding his involvement/opinion in this matter.

In addition, the fiscal court will add language in its Administrative Code, to require excess fee offices to provide monthly documentation of all employee leave balances.

RUSSELL COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2015-001 The Fiscal Court Had Weak Internal Controls Over Leave Records (Continued)

Auditor's Reply: We reviewed the information the fiscal court provided. The information is not included as part of the fiscal court's response in the audit report. While it helped to explain why the fiscal court paid the amounts they paid, the actual documentation obtained during the audit, and available to the fiscal court at the time the payments were approved, was not sufficient to support the amount of payments. This is why our recommendation to have proper controls and maintain proper documentation is important.

2015-002 The Fiscal Court Did Not Follow Their Purchase And Procurement Procedures

Of the 59 fiscal court disbursements tested, the following was noted:

- One disbursement was paid more than 30 days past due.
- For almost all disbursements, the purchase order date and the date invoice stamped received were the same. For example, road projects should have been reviewed with the budget and given a purchase order number and maximum amount available to spend before the project was completed.
- Twelve invoices totaling \$1,128,592 for road work were paid from the invoice without any supporting documentation, such as signed haul tickets, to ensure that the amount billed by the companies was the amount received by the county.
- Petty cash disbursements totaling \$2,000 were issued for two separate pass through federal grants. The only supporting documentation used to approve the disbursements was purchase orders from the grant partner (see Comment 2015-003).
- One grant disbursement totaling \$8,000 was issued to purchase gift cards. Again, the only supporting documentation used to approve the disbursement was a purchase order from the grant partner (see Comment 2015-003).

The findings are the result of lack of segregation of duties and failure of internal controls.

By circumventing the procedures in place which mitigate this risk, the fiscal court is exposing public resources to potential misstatements and/or fraud. By approving grant disbursements without reviewing the grant terms, the fiscal court is exposing the county to the risk of repayment to state and/or federal entities.

The State Local Finance Officer, given the authority by KRS 68.210, requires all expenditures to be accompanied by a purchase order, within budgeted amounts, and sufficiently documented. KRS 65.140(2) states, "Unless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor."

We recommend the fiscal court follow the procedures in place by obtaining purchase orders *before* any goods are purchased or service is conducted. We recommend the fiscal court maintain supporting documentation (such as haul tickets) with the original invoices and purchase orders. Those documents should be reviewed along with the invoice presented to ensure the county is charged appropriately. We recommend the haul tickets or packing slip be signed by an employee of the county upon delivery. We recommend the fiscal court pay all disbursements within 30 working days in compliance with KRS 65.140. Furthermore, we recommend the fiscal court review grant contracts before approving the disbursement.

RUSSELL COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-002 The Fiscal Court Did Not Follow Their Purchase And Procurement Procedures (Continued)

*County Judge/Executive's Response: **1st Bullet Point:** We held payment on one invoice due to the fact the vendor had not provided the service they were hired to provide. We held the payment until such time the services were performed.*

***2nd Bullet Point:** County employees are all aware of the fiscal court policy on obtaining a purchase order prior to the purchase of goods or services. However, in MANY instances, a purchase order is obtained via telephone and later that day the employee will drop off the receipt or invoice which will also have the date stamp of the same day the purchase order was issued.*

***3rd Bullet Point:** The invoices questioned, were all invoices for work that was performed in conjunction with the KY Department of Transportation Rural & Municipal Aid. Each year, KY Dept. of Transportation, District 8 Engineers, review roads in the county that have been submitted for road resurfacing. The engineers measure each road for tonnage required for resurfacing. After work is completed, all invoices are sent to KY Dept. of Transportation for review. Tonnage provided by the asphalt contractor are compared to the tonnage provided by the District 8 engineers to make sure the proper variance of tonnage exists for the resurfacing, and if acceptable, payments are made to the asphalt contractor. Note: There could not be a discrepancy in the amount of asphalt per haul, as when work was reviewed, it would be evident any portion of the road that did not receive the asphalt.*

For Bullet Points 4 & 5 please see attached response and grant documents provided by the grant recipient, Partners & Prevention. Note: The Fiscal Court has informed the agency in which the fiscal court is acting as a pass thru agent, should their response not be adequate to remove these audit findings, the Judge Executive will recommend to the fiscal court the agency will have to find a new pass thru host.*

Auditor's Reply: The fiscal court cannot avoid their responsibility for oversight and monitoring of road disbursements by relying on the Kentucky Transportation Cabinet to perform this management function. Proper supporting documentation of road work is necessary to ensure work was performed on county roads.

2015-003 The Fiscal Court Approved The Use Of Federal Grant Funds To Purchase Gift Cards

The fiscal court paid disbursements listed as 'petty cash' totaling \$2,000 using pass-through federal grant funds from the Department of Health and Human Services. The only supporting documentation was purchase orders from the grantee. The grantee provided auditors with receipts which materially agreed to the amounts disbursed by fiscal court. However, the auditors could find no mention of this practice being allowable in the grant contract. Additionally, the fiscal court paid a disbursement of \$8,000 using the same pass-through federal grant funds to purchase gift cards. Again, the only supporting documentation was a purchase order from the grantee. This purchase order was issued at the very end of the grant period and encompassed the majority of unused grant funds. A total of 74 gift cards ranging in value from \$25 to \$200 (for a total value of \$7,600) were purchased with an additional cost of \$400 for card activation fees. After subtracting invoices and counting cards physically present, a total of \$786 was unaccounted for.

The findings are the result of lack of segregation of duties and failure of internal controls regarding purchase and procurement procedures.

The grant from the Department of Health and Human Services was for a Drug Free Communities Support Program. These funds were designated to complete a local Tobacco Free School signage project and a Social Norms Media campaign.

RUSSELL COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-003 The Fiscal Court Approved The Use Of Federal Grant Funds To Purchase Gift Cards (Continued)

By approving grant disbursements without reviewing the grant terms the fiscal court is exposing the county to the risk of repayment of grant funds to state and/or federal entities.

The State Local Finance Officer, given the authority by KRS 68.210, requires all expenditures to be accompanied by a purchase order, within budgeted amounts, and sufficiently documented.

We recommend the fiscal court review grant contracts before issuing disbursements. Also, we recommend the fiscal court require the grantee to provide sufficient documentation to the court before payment is made.

County Judge/Executive's Response: Russell County Partners in Prevention (RCPIP), in response to Audit finding:

The purchased amount of gift cards was for allowable and approved activities/projects within the DFC Grant action plan. There were 74 cards purchased, totaling \$7600; activation fees total \$411.30, with receipt total of \$8011.30.

One activity from the DFC work-plan involved Tobacco Free Schools-tobacco free school signs were purchased, for which receipt (invoice)/documentation exist to account for this amount. There were 20 cards, \$3700 (\$3725.10) value-18, \$200 (\$206.95) cards and 2, \$50 (\$54.95) cards. An invoice is attached for \$3600 from Sign One. The two, \$50 (\$54.95) cards are unaccounted for out of the 20 cards provided for signs, a value of \$109.90.

A second activity, the Positive Community Norms Campaign, was in process. Data analysis revealed Norm messages could not be generated using the available data due to low survey participation rate. That project could not be completed as intended, instead the project guide recommended that the Coalition re-assess, re-engage, and educate coalition/community about the Positive Community Norm framework. The cards that physically remain and are accounted for were intended for this activity-total value \$3700 (\$3947.65 total with activation fee amounts).

A third activity was for Red Ribbon Drug Awareness Week. There were 6, \$25 (\$28.95) cards given to Russell County Youth Service Center for Red Ribbon Drug Awareness Week at the middle school in October 2014.

A forth activity was for Middle School Academic Rewards. There was 1, 50 (\$54.95) card given to Russell County Youth Service Center (YSC) for Middle School Academic Rewards in October 2014.

In total, there are 2 of the 74 cards unaccounted for in documentation-2, \$50 (\$54.95) cards-Total \$109.90. The RCPIP Board had no knowledge that the gift cards were an unapproved, unallowable purchase.

Auditor's Reply: We reviewed the information the fiscal court provided. Grant funds have an increased risk of improper use when they are spent on gift cards and petty cash. Management loses its oversight and monitoring of grant funds by not using the funds for direct grant disbursements. In addition, the grant has ended and there are still gift cards that remain unused, so it appears that the funds were not needed to meet the objectives of the grant.

RUSSELL COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-004 Jail Commissary Year-End Statements Were Not Prepared In Accordance With Reporting Requirements And Were Not Accurate

The year-end Jail Commissary report did not agree to the receipts and disbursements ledgers or to the bank information for the fiscal year ending June 30, 2015. Additionally, the annual report remitted did not break-down receipts and disbursements.

The Jailer was not aware of the required format. Additionally, the Jailer switched commissary services and computer software. Since the changeover did not happen until December 16, 2014, the printout given to the fiscal court did not include information prior to that date.

The information presented did not allow transparency of the Jail Commissary Fund.

The Department for Local Government (DLG), given authority by KRS 68.210, requires minimum accounting and reporting standards. The *County Budget Preparation and State Local Finance Officer Policy Manual* specifies these standards and required formats for the Jail Commissary Fund. Inherent in these requirements is that the reports submitted are materially accurate.

We recommend the Jailer ensure the year-end summary report is accurate and follows DLG reporting requirements.

County Jailer's Response: We will comply with the auditor's recommendation to ensure the year-end summary report is accurate and follow the DLG reporting requirements.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

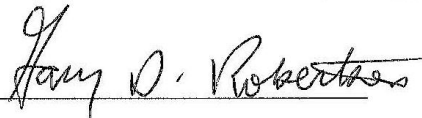
RUSSELL COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2015**


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
RUSSELL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

The Russell County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer

